



July 5, 2017

**Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending August 31, 2017
(Nine Months Ended May 31, 2017)**

[Japanese GAAP]

Company name: KOSHIDAKA HOLDINGS Co., LTD. Listing: Tokyo Stock Exchange (First Section)
 Stock code: 2157 URL: <http://www.koshidakaholdings.co.jp/>
 Representative: Hiroshi Koshidaka, Representative Director and President
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 Tel: +81-3-6403-5710
 Scheduled date of filing of Quarterly Report: July 14, 2017
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter Ended May 31, 2017 (Sep. 1, 2016 – May 31, 2017)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended May 31, 2017	40,971	9.8	4,863	33.6	5,000	41.6	2,746	54.2
Nine months ended May 31, 2016	37,301	15.3	3,641	(3.2)	3,532	(7.9)	1,781	0.3

Note: Comprehensive income (million yen) Nine months ended May 31, 2017: 2,999 (up 52.4%)
 Nine months ended May 31, 2016: 1,967 (down 11.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended May 31, 2017	151.29	-
Nine months ended May 31, 2016	97.84	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2017	42,368	21,225	47.9
As of Aug. 31, 2016	33,517	14,272	40.4

Reference: Shareholders' equity (million yen) As of May 31, 2017: 20,283 As of Aug. 31, 2016: 13,557

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Aug. 31, 2016	-	15.00	-	17.00	32.00
Fiscal year ending Aug. 31, 2017	-	18.00	-	-	-
Fiscal year ending Aug. 31, 2017 (forecast)	-	-	-	18.00	36.00

Note: Revisions to the most recently announced dividend forecast: Yes

Breakdown of 2Q-end dividends for the fiscal year ending Aug. 31, 2017:

Ordinary dividends: 16.00 yen; Commemorative dividends: 2.00 yen

3. Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2017 (Sep. 1, 2016 – Aug. 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	55,223	7.9	5,895	22.6	5,946	26.5	2,900	52.6	155.44

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of May 31, 2017:	20,200,000 shares	As of Aug. 31, 2016:	19,200,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2017:	245,409 shares	As of Aug. 31, 2016:	1,245,409 shares
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3) Average number of shares outstanding during the period

Nine months ended May 31, 2017:	18,154,591 shares	Nine months ended May 31, 2016:	18,204,630 shares
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* The current quarterly financial report is not subject to quarterly review procedures.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to page 4 of the attachments "(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements" for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the Japanese economy strengthened as the yen declined, stock prices rose and corporate earnings remained firm. However, the upturn in personal income has leveled off and consumer spending is not increasing despite earlier signs of a recovery.

Results by business segment were as follows.

Karaoke

In the karaoke facility market, increasingly heated competition for survival is raising the market shares of big companies and forcing small and midsize companies to downsize or shut down. As a result, the overall structure of this business sector is changing.

To succeed in this intensely competitive environment, we are focusing on increasing the number of locations, mainly in the Tokyo area. We are also using resources to offer even more and better services that our competitors cannot match.

There are several initiatives that target specific customer segments and time frames. The ZERO Kara service has no room charge for high school students. The Asa-Uta (“Morning Song”) service, mainly targeting seniors, allows people to use a karaoke room for 30 minutes at a cost of only 10 yen. There are also a variety of joint activities with content holders. All of these initiatives have been successful at attracting more customers as planned. In addition, during the current fiscal year, karaoke facilities have been revising operating hours and rates in order to accurately reflect changes in customer utilization patterns at each location. All karaoke locations in the Tokyo area, including Tokyo and three neighboring prefectures, became smoke-free to allow customers to sing in rooms with clean air. The no-smoking policy has been very well accepted, generating a positive response among families, seniors and all other customers who place the highest priority on leading a healthy life style.

The karaoke business has a program that encourages employees to become independent operators of karaoke facilities. The aim is to take advantage of the strengths of management by entrepreneurs in order to offer services that precisely match customers’ needs and closely reflect the perspective of each operator. Former employees currently operate 24 of our karaoke facilities, five more than at the end of the previous fiscal year.

At the end of the third quarter of the current fiscal year, the number of karaoke locations in Japan totaled 490, 33 more than at the end of the previous fiscal year, and the number of overseas karaoke facilities totaled 23, consisting of 10 in Singapore and 13 in South Korea. Renovations of karaoke locations in Japan were completed at 35 locations.

Sales in the Karaoke segment were 21,959 million yen, up 6.9% year on year. The segment profit was 1,540 million yen, up 97.3% year on year.

Curves

Curves operates facilities that enable people to continue exercising throughout their lives in order to enjoy happy and healthy lives with fewer worries about diseases and the need for nursing care. These facilities also give the Curves’ members the opportunity to spend time with friends and make new friends.

Our goal is to increase the number of members and the number of Curves fitness clubs by giving more people the opportunity to experience for themselves the benefits of regular exercise through their own experience. We believe that increasing the awareness of the importance of exercise will contribute to the growth of Curves fitness clubs.

Sales of merchandise to members increased mainly due to higher sales of protein supplements. These supplements have significant synergy effect with workouts.

At the end of the third quarter of the current fiscal year, the number of Curves fitness clubs in Japan was 1,791 (including 56 directly operated facilities), an increase of 69 or 4.0%, from the end of the previous fiscal year. The number of members went up by 26,000, or 3.4%, to 799,000.

Sales in the Curves segment were 17,541 million yen, up 14.1% year on year, and the segment profit was 3,759 million yen, up 14.4%.

Bath House

The Bath House business uses employee training, cost management and a variety of other expertise gained from the Karaoke business. This segment has also implemented dramatic changes in order to cut fixed expenses, particularly the cost of utilities. All of these actions are aimed at reinvigorating bath house facilities.

Sales in the Bath House segment were 1,235 million yen, up 6.1% year on year. The segment profit was 92 million yen, up 74.1%.

Real Estate Management

Sales in the Real Estate Management segment were 234 million yen, up 1.7% year on year, and the segment profit was 94 million yen, up 30.5%.

Overall, the Koshidaka Group (KOSHIDAKA HOLDINGS Co., LTD. and its consolidated subsidiaries) had sales of 40,971 million yen, up 9.8%, operating income of 4,863 million yen, up 33.6%, ordinary income of 5,000 million yen, up 41.6%, and profit attributable to owners of parent of 2,746 million yen, up 54.2% in the first nine months of the current fiscal year.

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased 8,851 million yen (26.4%) from the end of the previous fiscal year to 42,368 million yen.

Current assets

Current assets increased 7,140 million yen (58.6%) to 19,326 million yen. This was mainly due to a 6,909 million yen increase in cash and deposits.

Non-current assets

Property, plant and equipment increased 1,943 million yen (13.1%) to 16,745 million yen. This was mainly due to a 1,558 million yen increase in buildings and structures, and a 434 million yen increase in vehicles, tools, furniture and fixtures.

Intangible assets decreased 291 million yen (12.4%) to 2,069 million yen. This was mainly due to a 293 million yen decrease in goodwill.

Investments and other assets increased 59 million yen (1.4%) to 4,227 million yen. This was mainly due to a 68 million yen increase in lease and guarantee deposits.

Total non-current assets increased 1,710 million yen (8.0%) to 23,042 million yen.

Current liabilities

Current liabilities increased 1,111 million yen (10.4%) to 11,796 million yen. This was mainly due to a 646 million yen increase in current portion of long-term loans payable, and a 417 million yen increase in accounts payable-other.

Non-current liabilities

Non-current liabilities increased 786 million yen (9.2%) to 9,346 million yen. This was mainly due to a 500 million yen increase in long-term loans payable and a 297 million yen increase in asset retirement obligations.

Total liabilities increased 1,898 million yen (9.9%) to 21,143 million yen.

Net assets

Net assets increased 6,953 million yen (48.7%) to 21,225 million yen. This was mainly due to a 2,118 million yen increase in retained earnings, a 1,421 million yen increase in capital surplus, and a 1,146 million yen increase in capital stock, while there was a decrease of 2,018 million yen in treasury shares.

(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements

As described in the “Notice of Revision to Consolidated Earnings Forecast” announced today (on July 5, 2017), the full-year consolidated forecasts announced on October 7, 2016 have been revised as shown in the table below.

In the first nine months of the current fiscal year, sales have been generally in line with the plan for the fiscal year. However, earnings are expected to be higher than in the previous forecast mainly because of the strong performance of the Karaoke business. This is the result of higher earnings at existing locations due to measures to optimize the operations of each location and to the strong performances of newly opened locations.

Consolidated Earnings Forecast for the Fiscal Year Ending August 31, 2017 (Sep. 1, 2016 – Aug. 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	55,112	5,468	5,519	2,694	148.44
Revised forecast (B)	55,223	5,895	5,946	2,900	155.44
Change (B – A)	111	427	427	206	-
Percentage change (%)	0.2	7.8	7.7	7.6	-
(Reference) Results for the fiscal year ended Aug. 31, 2016	51,170	4,810	4,699	1,900	104.71

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY8/16 (As of Aug. 31, 2016)	Third quarter of FY8/17 (As of May 31, 2017)
Assets		
Current assets		
Cash and deposits	6,304,164	13,213,802
Notes and accounts receivable-trade	2,725,682	2,969,815
Merchandise	938,063	1,006,502
Raw materials and supplies	215,763	211,169
Deferred tax assets	317,030	310,116
Other	1,724,413	1,657,208
Allowance for doubtful accounts	(39,263)	(41,844)
Total current assets	12,185,854	19,326,770
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,081,749	11,640,300
Vehicles, tools, furniture and fixtures, net	2,649,429	3,083,946
Land	1,965,917	1,965,917
Leased assets, net	83,299	55,366
Construction in progress	22,035	172
Total property, plant and equipment	14,802,432	16,745,703
Intangible assets		
Goodwill	1,429,342	1,135,809
Software	899,868	892,371
Other	32,013	41,115
Total intangible assets	2,361,224	2,069,296
Investments and other assets		
Investment securities	465,372	473,532
Shares of subsidiaries and associates	28,637	28,637
Long-term loans receivable	567,753	513,395
Lease and guarantee deposits	2,674,361	2,742,365
Deferred tax assets	265,830	293,037
Other	182,373	192,789
Allowance for doubtful accounts	(16,475)	(16,688)
Total investments and other assets	4,167,853	4,227,070
Total non-current assets	21,331,510	23,042,071
Total assets	33,517,364	42,368,842

(Thousands of yen)

	FY8/16 (As of Aug. 31, 2016)	Third quarter of FY8/17 (As of May 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,146,556	1,899,845
Current portion of long-term loans payable	2,964,912	3,611,340
Lease obligations	47,400	24,027
Accounts payable-other	853,130	1,270,493
Accrued expenses	1,011,689	1,126,477
Income taxes payable	1,006,955	926,036
Provision for bonuses	246,544	129,616
Deposits received	1,659,939	1,745,631
Other	747,930	1,063,291
Total current liabilities	10,685,059	11,796,760
Non-current liabilities		
Long-term loans payable	6,855,752	7,356,474
Lease obligations	55,983	41,077
Deferred tax liabilities	171,367	187,090
Asset retirement obligations	1,233,584	1,530,701
Other	242,845	230,965
Total non-current liabilities	8,559,532	9,346,308
Total liabilities	19,244,591	21,143,069
Net assets		
Shareholders' equity		
Capital stock	493,600	1,640,260
Capital surplus	483,600	1,905,580
Retained earnings	14,834,131	16,952,729
Treasury shares	(2,319,401)	(301,401)
Total shareholders' equity	13,491,930	20,197,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,255	31,711
Foreign currency translation adjustment	46,229	54,458
Total accumulated other comprehensive income	65,484	86,169
Non-controlling interests	715,358	942,435
Total net assets	14,272,773	21,225,773
Total liabilities and net assets	33,517,364	42,368,842

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY8/16 (Sep. 1, 2015 – May 31, 2016)	First nine months of FY8/17 (Sep. 1, 2016 – May 31, 2017)
Net sales	37,301,365	40,971,063
Cost of sales	27,825,282	29,991,142
Gross profit	9,476,083	10,979,920
Selling, general and administrative expenses	5,834,117	6,116,042
Operating income	3,641,966	4,863,877
Non-operating income		
Interest and dividend income	10,509	6,413
Foreign exchange gains	-	93,059
Store relocation compensation	-	27,259
Other	105,401	86,450
Total non-operating income	115,910	213,183
Non-operating expenses		
Interest expenses	22,844	19,080
Share issuance cost	-	22,677
Foreign exchange losses	131,409	-
Other	70,980	34,489
Total non-operating expenses	225,234	76,248
Ordinary income	3,532,642	5,000,812
Extraordinary income		
Gain on sales of non-current assets	105,102	15,843
Total extraordinary income	105,102	15,843
Extraordinary losses		
Loss on retirement of non-current assets	41,501	95,107
Impairment loss	3,451	3,956
Total extraordinary losses	44,953	99,063
Profit before income taxes	3,592,791	4,917,592
Income taxes-current	1,624,930	1,948,818
Income taxes-deferred	(8,511)	(10,066)
Total income taxes	1,616,419	1,938,751
Profit	1,976,372	2,978,840
Profit attributable to non-controlling interests	195,063	232,077
Profit attributable to owners of parent	1,781,308	2,746,763

Quarterly Consolidated Statement of Comprehensive Income**(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY8/16 (Sep. 1, 2015 – May 31, 2016)	First nine months of FY8/17 (Sep. 1, 2016 – May 31, 2017)
Profit	1,976,372	2,978,840
Other comprehensive income		
Valuation difference on available-for-sale securities	6,102	12,455
Foreign currency translation adjustment	(14,841)	8,229
Total other comprehensive income	(8,738)	20,684
Comprehensive income	1,967,633	2,999,525
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,772,569	2,767,448
Comprehensive income attributable to non-controlling interests	195,063	232,077

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Based on the resolution at the Board of Directors held on May 9, 2017, the Company newly issued 1,000,000 shares through public offering and disposed of 1,000,000 shares of treasury shares. The payment for these shares was made on May 24, 2017. As a result, capital stock, legal capital surplus and other capital surplus increased 1,146,660 thousand yen, 1,146,660 thousand yen and 275,320 thousand yen, respectively, while treasury shares decreased 2,018,000 thousand yen during the first nine months of the current fiscal year. Consequently, capital stock, capital surplus and treasury shares amounted to 1,640,260 thousand yen, 1,905,580 thousand yen and 301,401 thousand yen, respectively, as of May 31, 2017.

Additional Information

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

The Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the first quarter of the current fiscal year.

Segment and Other Information

Segment Information

I. First nine months of FY8/16 (Sep. 1, 2015 – May 31, 2016)

1. Information related to net sales, profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	20,539,123	15,367,174	1,164,699	230,368	37,301,365	-	37,301,365
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	20,539,123	15,367,174	1,164,699	230,368	37,301,365	-	37,301,365
Segment profit	780,500	3,286,287	53,122	72,594	4,192,505	(550,538)	3,641,966

Notes: 1. The -550,538 thousand yen adjustment to segment profit mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

No applicable items.

II. First nine months of FY8/17 (Sep. 1, 2016 – May 31, 2017)

1. Information related to net sales, profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Karaoke	Curves	Bath House	Real Estate Management			
Net sales							
External sales	21,959,738	17,541,424	1,235,666	234,234	40,971,063	-	40,971,063
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	21,959,738	17,541,424	1,235,666	234,234	40,971,063	-	40,971,063
Segment profit (loss)	1,540,143	3,759,837	92,502	94,744	5,487,228	(623,350)	4,863,877

Notes: 1. The -623,350 thousand yen adjustment to segment profit mainly includes general and administrative expenses that cannot be attributed to reportable segments.

2. Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

No applicable items.

Material Subsequent Events

Issuance of new shares through third party allotment

The Board of Directors of the Company approved a resolution on May 9, 2017 to issue new shares through a third party allotment to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. The payment for these shares were made on June 16, 2017.

- | | |
|--|---|
| (1) Number of shares newly issued: | Common shares 375,000 shares |
| (2) Amount paid per share: | 2,293.32 yen per share |
| (3) Total amount paid: | 859,995 thousand yen |
| (4) Amount of capital stock to be increased: | 429,997 thousand yen (1,146.66 yen per share) |
| (5) Amount of legal capital surplus to be increased: | 429,997 thousand yen (1,146.66 yen per share) |
| (6) Allottee: | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| (7) Use of proceeds: | Purchase of equipment for the Karaoke business, loans to group companies for purchasing equipment and the repayment of some loans |

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.